BUSINESS AS UNUSUAL

EXPORT DEVELOPMENT CANADA

Quarterly Financial Report
March 31, 2021

Unaudited

Canada

EDC

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Caution regarding forward-looking statements
This document contains projections and other forward-looking statements regarding future events. Such statements require us to make assumptions and are subject to inherent risks and uncertainties. These may cause actual results to differ materially from expectations expressed in the forward-looking statements.

EDC

OVERVIEW

Export Development Canada (EDC) is Canada's export credit agency. Our mandate is to support and develop, directly or indirectly, Canada's export trade, and the capacity of Canada to engage in trade and respond to international business opportunities, as well as to provide development financing and other forms of development support in a manner consistent with Canada's international development priorities. We provide insurance and financial services, bonding products, small business solutions as well as online credit risk management tools. Our customers are Canadian exporters, investors and their international buyers. We place a particular emphasis on small and medium enterprises by developing tools to help them succeed in international markets. EDC is a Crown corporation, wholly owned by the Government of Canada and accountable to Parliament through the Minister of Small Business, Export Promotion and International Trade. Our revenue is generated primarily by collecting interest on our loans, fees on our guarantee products and premiums on our insurance products.

A number of measures were announced by the Government of Canada starting in March 2020 to increase EDC's capacity to help Canadian companies facing extreme financial challenges brought on by the global response to Novel Coronavirus 2019 (COVID-19). These measures include the activation of the Business Credit Availability Program (BCAP) which increased business volumes in the commercial financing and insurance programs through our existing suite of financial solutions, and the expansion of our domestic capabilities to enable us to help Canada's financial institutions provide financing and credit solutions to Canadian businesses, helping even more companies raise the credit necessary to survive this unprecedented crisis.

Economic Environment

After the global economy experienced the sharpest decline ever recorded in early 2020, recent economic data, market expectations and forecasts are reflecting an improving economic outlook as mass rapid vaccination campaigns make progress in advanced economies. At the same time, rapidly-spreading COVID-19 variants have led to another wave of infections—the key downside risk to the outlook. Global equity markets and commodity prices have rallied with resumption of global activity—the benchmark West Texas Intermediate price surpassed US$60 per barrel, well above pre-pandemic levels and some consumers have accumulated significant savings, which is expected to support additional spending this year.

Among advanced economies, the United States is leading the recovery. The authorization of a further $1.9 trillion fiscal stimulus package is expected to provide a significant boost to growth in the near-term. The Federal Reserve is monitoring risks to the outlook, including temporary above-target inflation and the notable labour market challenges. Their key policy interest rate remains at its effective lower bound of 0% to 0.25%, and quantitative easing programs are continuing to provide market liquidity. Europe's economy experienced a sharper decline in 2020, weighed down by the wide spread of COVID-19, and lockdowns are now being reimposed in key markets of Germany and France, while manufacturing orders have remained upbeat.

Canada's economy showed resilience despite additional lockdowns in the first quarter. Following a 13% decline in 2020, Canadian exports soared in January, driven by strong U.S. demand. Housing prices in key metropolitan markets continue to reach record levels. The Canadian labour market is recovering and consumer spending has picked up—lessening the impact to GDP growth. The Bank of Canada remains accommodative and has held their policy interest rate at its effective lower bound since the start of the pandemic. The Canadian dollar has strengthened alongside the rapid improvements in the global price of oil, averaging 79 cents per USD in the first quarter.

Risk Management

Our business activities expose us to a wide variety of risks including strategic, financial and operational risks. We manage risk with a three lines of defence risk governance structure, which emphasizes and balances strong central oversight and control of risk with clear accountability for and ownership of risk within the "front lines". The structure supports the cascade of EDC's risk appetite throughout the organization and provides forums for risks to be appropriately considered, discussed, debated and factored into business decisions at all levels and across all functions. This structure will allow us to continue to manage our business as risks are elevated in the current economic environment and as we expand our risk appetite to help with the COVID-19 response. For a more comprehensive discussion on our risk management, please refer to pages 109-117 of our 2020 Annual Report. Refer to Note 7 of the accompanying financial statements for details on financial instrument risks.

Impact of Foreign Exchange Translation on Financial Results

Our foreign currency-denominated results are impacted by exchange rate fluctuations. The Canadian dollar relative to the U.S. dollar strengthened in the first quarter of 2021, resulting in a rate of $0.80 at the end of the quarter compared to $0.79 at the end of the prior quarter. The impact of the stronger dollar was a decrease to our assets and liabilities which are primarily denominated in U.S. dollars and are translated to Canadian dollars at rates prevailing at the statement of financial position date. In addition, the Canadian dollar average for the first quarter of 2021 strengthened against the U.S. dollar, as the Canadian dollar averaged $0.79 in the first quarter, compared to $0.74 for the first quarter of 2020. This had an unfavourable impact on our financial results, as the components of net income as well as our business facilitated are translated at the average exchange rates.

Business Facilitated

Financing and investments business facilitated increased by 14% from the same period in 2020 primarily due to an increase in direct lending in the resources and information and communication technologies sectors in addition to an increase in loan guarantees due to COVID-support initiatives. The increases were partially offset by a decrease in project finance resulting from a decrease in the oil and gas, and infrastructure and environment sectors.

Business facilitated for the international trade guarantee product group decreased by 26% mainly due to the timing of policy renewals during the quarter in the financial services, mining, and infrastructure and environment sectors.

Overall, BCAP support in the first three months of 2021 totalled $349 million, mainly in guarantees for small and medium-sized enterprises, which comprises 79% of total BCAP transactions.

Business Facilitated

	For the three months ended	
(in millions of Canadian dollars)	**Mar 2021**	Mar 2020
Business Facilitated		
Direct lending	**3,009**	2,354
Project finance	**396**	859
Loan guarantees	**676**	379
Investments	**72**	47
Total financing and investments	**4,153**	3,639
Credit insurance	**15,420**	14,633
Financial institutions insurance	**1,539**	1,840
International trade guarantee	**1,590**	2,158
Political risk insurance	**59**	219
Total insurance	**18,608**	18,850
Total	**$22,761**	$22,489

SUMMARY OF FINANCIAL RESULTS

Financial Performance

(in millions of Canadian dollars)	**Mar 2021**	Mar 2020	Mar 2021 Corporate Plan
		For the three months ended	
Net financing and investment income	**307**	302	313
Net insurance premiums and guarantee fees[(1)]	**93**	65	85
Realized gains (losses)[(2)]	**21**	43	(23)
Net revenue	**421**	410	375
Administrative expenses	**142**	126	169
Provision for (reversal of) credit losses	**(225)**	1,154	151
Claims-related expenses	**107**	20	75
Income (loss) before unrealized losses	**397**	(890)	(20)
Unrealized (gains) losses on financial instruments[(2)]	**(191)**	24	-
Net income (loss)	**588**	(914)	(20)
Other comprehensive income (loss)	**46**	(120)	10
Comprehensive income (loss)	**$634**	$(1,034)	$(10)

[(1)] *Includes loan guarantee fees.*

[(2)] *Included in Other (Income) Expenses on the Condensed Consolidated Statement of Comprehensive Income.*

Quarter Highlights

We had **net income** of $588 million in the first quarter of 2021 compared to a **net loss** of $914 million for the same period in 2020 as well as a net loss of $20 million in the Corporate Plan. The difference is primarily due to a reversal in our provision for credit losses and unrealized gains on our financial instruments carried at fair value.

Net revenue was stable when compared with the same period in 2020 however our net insurance premiums and guarantee fees increased as a result of COVID-19 support. This was partially offset by a decrease in realized gains within our marketable securities portfolio.

We had **unrealized gains on financial instruments** of $191 million in the first quarter of 2021 primarily due to the volatility associated with our financial instruments carried at fair value through profit or loss. Due to the volatility and difficulty in estimating fair value gains or losses on financial instruments, a forecast for these items is not included in the Corporate Plan.

Claims-related expenses were $107 million in the first quarter of 2021 mainly due to an increase in the allowance for insurance claims as a result of increased provisioning requirements for potential claims in our international trade guarantee product group.

We recorded **other comprehensive income** of $46 million mainly due to improvements in the discount rate offset by negative returns on plan assets.

We recorded a **provision reversal** of $225 million in the first quarter of 2021 mainly due to an improvement in the macroeconomic forecast, partially offset by new impairments, including two obligors in the aerospace sector.

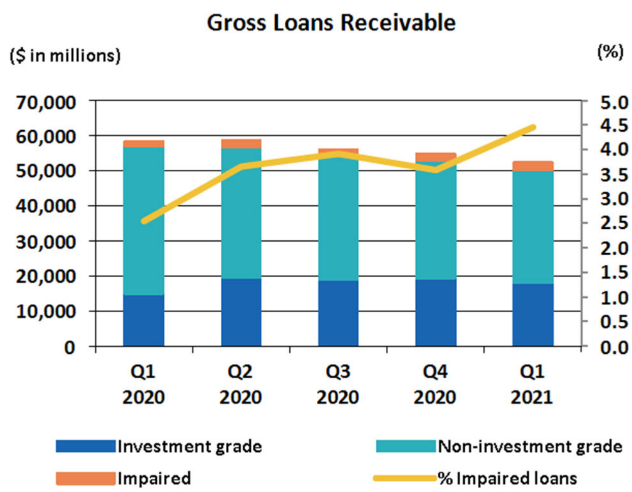
Activity within the provision for (reversal of) credit losses during the first quarter by sector was as follows:

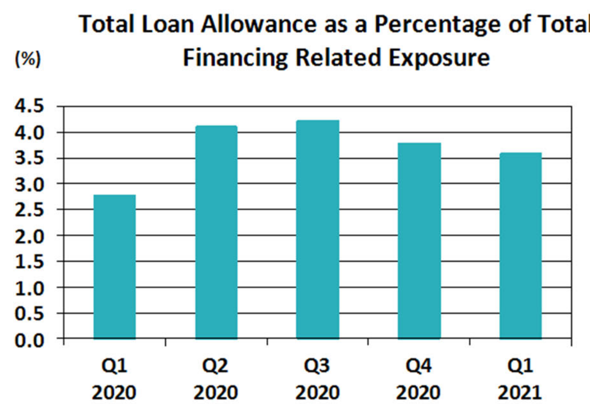
Provision for (Reversal of) Credit Losses by Sector

	Three months ended March 2021			Three months ended March 2020		
(in millions of Canadian dollars)	Performing	Impaired	**Total**	Performing	Impaired	**Total**
Information and Communication Technologies	(53)	(3)	**(56)**	115	(1)	**114**
Light Manufacturing	(50)	(5)	**(55)**	88	3	**91**
Surface Transportation	(15)	(28)	**(43)**	195	3	**198**
Oil and Gas	(23)	(15)	**(38)**	250	-	**250**
Infrastructure and Environment	(31)	5	**(26)**	90	(1)	**89**
Resources	(29)	12	**(17)**	31	(1)	**30**
Mining	(16)	-	**(16)**	75	3	**78**
Aerospace	(48)	86	**38**	239	3	**242**
Other	(12)	-	**(12)**	62	-	**62**
Total	$(277)	$52	**$(225)**	$1,145	$9	**$1,154**

Financial Position

As at *(in millions of Canadian dollars)*	**Mar 2021**	Dec 2020	Mar 2021 Corporate Plan
Total assets	**67,085**	67,697	68,094
Total liabilities	**54,441**	48,407	52,844
Equity	**12,644**	19,290	15,250
Gross loans receivable	**52,421**	54,772	54,961
Total allowances - loans portfolio	**2,600**	2,900	3,833
Total allowances - insurance portfolio	**620**	540	474





Total assets are $612 million lower than December 2020 primarily due to a decrease in gross loans receivable as a result of net loan repayments of $1.3 billion as well as foreign exchange translation, partially offset by an increase in other assets. Other assets increased by $1.1 billion primarily due to an increase in trade date receivables which are mainly composed of funds receivable on long-term debt issued. Funds receivable on financial instruments that have traded but not yet settled are recognized in other assets.

Total liabilities are $6.0 billion higher than December 2020 primarily due to the dividend payable of $4.3 billion and an increase in loans payable of $2.5 billion primarily due to net short-term debt issuances of $2.8 billion which were used to fund the dividend payment of $3.0 billion during the quarter.

The decrease in **equity** from December 2020 is due to the declarations of a $580 million dividend according to our current dividend policy and a special dividend of $6.7 billion based on the capital surplus position of the BCAP programs and a targeted internal Capital Adequacy Assessment Process ratio. Please refer to pages 107-108 of our 2020 Annual Report for a more comprehensive discussion on our capital management.

Impaired loans as a percentage of gross loans receivable have increased since the fourth quarter of 2020 largely due to the impairment of two obligors in the aerospace sector, as previously mentioned.

STATEMENT OF MANAGEMENT RESPONSIBILITY

Management is responsible for the preparation and fair presentation of these condensed consolidated quarterly financial statements in accordance with the Treasury Board of Canada's *Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports,* and for such internal controls as management determines is necessary to enable the preparation of condensed consolidated quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the condensed consolidated quarterly financial statements.

These condensed consolidated quarterly financial statements have not been audited or reviewed by an external auditor.

Based on our knowledge, these unaudited condensed consolidated quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at March 31, 2021 and for the periods presented in the condensed consolidated quarterly financial statements.

Mairead Lavery

Mairead Lavery,
President & CEO

Marsha Acott

Marsha Acott,
Interim SVP & CFO

Ottawa, Canada
April 29, 2021

Export Development Canada

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of Canadian dollars)

As at

	Notes	**Mar 2021**	Dec 2020
Assets			
Cash		**255**	182
Marketable securities		**11,000**	10,563
Derivative instruments		**1,928**	2,126
Loans receivable	2	**52,403**	54,722
Allowance for losses on loans	2	**(2,410)**	(2,630)
Investments		**2,076**	2,032
Reinsurers' share of premium and claims liabilities	3	**150**	150
Other assets		**1,359**	260
Retirement benefit assets		**72**	45
Property, plant and equipment		**39**	40
Intangible assets		**80**	84
Right-of-use assets		**133**	123
Total Assets		**$67,085**	$67,697
Liabilities and Equity			
Accounts payable and other credits		**208**	179
Dividend payable	5	**4,280**	-
Loans payable		**47,532**	45,020
Derivative instruments		**861**	1,623
Lease liabilities		**163**	153
Retirement benefit obligations		**247**	262
Allowance for losses on loan commitments	2	**40**	50
Premium and claims liabilities	3	**900**	820
Loan guarantees	2	**210**	300
Total Liabilities		**54,441**	48,407
Financing commitments (Note 2) and contingent liabilities (Note 4)			
Equity			
Share capital	5	**12,300**	12,300
Retained earnings		**344**	6,990
Total Equity		**12,644**	19,290
Total Liabilities and Equity		**$67,085**	$67,697

The accompanying notes are an integral part of these consolidated financial statements.

These financial statements were approved for issuance by the Board of Directors on April 29, 2021.

Mairead Lavery

Robert S. McLeese
Director

Mairead Lavery
Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)

	Notes	For the three months ended **Mar 2021**	 Mar 2020
Financing and Investment Revenue:			
Loan		**384**	518
Marketable securities		**22**	57
Investments		**-**	1
Total financing and investment revenue		**406**	576
Interest expense		**94**	268
Financing related expenses		**5**	6
Net Financing and Investment Income		**307**	302
Loan Guarantee Fees		**32**	13
Insurance premiums and guarantee fees		**70**	61
Reinsurance ceded		**(9)**	(9)
Net Insurance Premiums and Guarantee Fees	8	**61**	52
Other (Income) Expenses	10	**(212)**	(19)
Administrative Expenses	11	**142**	126
Income before Provision and Claims-Related Expenses		**470**	260
Provision for (Reversal of) Credit Losses	2	**(225)**	1,154
Claims-Related Expenses	9	**107**	20
Net Income (Loss)		**588**	(914)
Other comprehensive income (loss):			
Retirement benefit plans remeasurement		**46**	(120)
Comprehensive Income (Loss)		**$634**	$(1,034)

The accompanying notes are an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in millions of Canadian dollars)

		For the three months ended	
	Notes	**Mar 2021**	Mar 2020
Share Capital	5	**12,300**	1,333
Retained Earnings			
Balance beginning of period		**6,990**	8,423
Net income (loss)		**588**	(914)
Other comprehensive income (loss)			
Retirement benefit plans remeasurement		**46**	(120)
Dividends	5	**(7,280)**	-
Balance end of period		**344**	7,389
Total Equity End of Period		**$12,644**	$8,722

The accompanying notes are an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of Canadian dollars)

	For the three months ended	
	Mar 2021	Mar 2020
Cash Flows from (used in) Operating Activities		
Net income (loss)	**588**	(914)
Adjustments to determine net cash flows from (used in) operating activities		
Provision for (reversal of) credit losses	**(225)**	1,154
Change in the net allowance for claims on insurance	**99**	(1)
Depreciation and amortization	**8**	11
Realized (gains)	**(37)**	(50)
Changes in operating assets and liabilities		
Change in accrued interest and fees on loans receivable	**(44)**	(56)
Change in accrued interest and fair value of marketable securities	**103**	(242)
Change in accrued interest and fair value of loans payable	**(180)**	456
Change in fair value of investments	**(9)**	38
Change in derivative instruments	**(288)**	(186)
Other	**(121)**	254
Loan disbursements	**(4,211)**	(8,289)
Loan repayments and principal recoveries from loan asset sales	**5,555**	4,274
Net cash from (used in) operating activities	**1,238**	(3,551)
Cash Flows from (used in) Investing Activities		
Disbursements for investments	**(95)**	(103)
Receipts from investments	**78**	53
Purchases of marketable securities	**(1,906)**	(1,885)
Sales/maturities of marketable securities	**2,300**	2,603
Purchases of property, plant and equipment	**-**	(2)
Purchases of intangible assets	**(1)**	(1)
Net cash from investing activities	**376**	665
Cash Flows from (used in) Financing Activities		
Issue of long-term loans payable	**667**	6,210
Repayment of long-term loans payable	**(1,089)**	(5,802)
Issue of short-term loans payable	**7,543**	15,045
Repayment of short-term loans payable	**(4,734)**	(8,459)
Disbursements from sale/maturity of derivative instruments	**(1)**	(18)
Receipts from sale/maturity of derivative instruments	**5**	51
Dividend paid	**(3,000)**	-
Net cash from (used in) financing activities	**(609)**	7,027
Effect of exchange rate changes on cash and cash equivalents	**(33)**	223
Net increase in cash and cash equivalents	**972**	4,364
Cash and cash equivalents		
Beginning of period	**2,876**	1,285
End of period	**$3,848**	$5,649
Cash and cash equivalents are comprised of:		
Cash	**255**	360
Cash equivalents included within marketable securities	**3,593**	2,694
	$3,848	$3,054
Operating Cash Flows from Interest		
Cash paid for interest	**$134**	$303
Cash received for interest	**$356**	$485

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

1. Significant Accounting Policies

Basis of Presentation

Our condensed consolidated financial statements comply with the *Standard on Quarterly Financial Reports for Crown Corporations* issued by the Treasury Board of Canada.

Except as indicated below, these condensed interim consolidated financial statements follow the same accounting policies and methods of computation as our audited consolidated financial statements for the year ended December 31, 2020. They should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2020 and the accompanying notes as set out on pages 135-185 of our 2020 Annual Report.

Basis of Consolidation

Our consolidated financial statements include the assets, liabilities, results of operations and cash flows of our wholly owned subsidiaries and those structured entities consolidated under *IFRS 10 – Consolidated Financial Statements*. Intercompany transactions and balances have been eliminated.

Application of New International Financial Reporting Standards

New standards, amendments and interpretations adopted during the quarter

The following amendment issued by the IASB was adopted during the quarter:

IFRS 16 – Leases - In May 2020, the IASB issued an amendment related to *Covid-19 Related Rent Concessions* which provides a practical expedient in assessing whether a Covid-19 related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after June 1, 2020 and there was no impact to the consolidated financial statements.

New standards, amendments and interpretations issued but not yet in effect

There were no new standards, amendments or interpretations issued in the first quarter of the year that would have a possible effect on the consolidated financial statements in the future.

The standards, amendments and interpretations not yet in effect are disclosed in Note 3 of our audited consolidated financial statements for the year ended December 31, 2020.

Use of Estimates and Key Judgments

The preparation of financial statements requires the use of estimates and key judgments. Judgment is required in the selection of accounting policies, and their application requires the use of estimates and assumptions to arrive at the reported carrying values of our assets and liabilities. The COVID-19 pandemic gives rise to heightened uncertainty and increases the need to apply judgment in evaluating the economic environment and its impact on significant estimates. The uncertainty created by the COVID-19 pandemic has increased the level of judgment applied in estimating the allowance for credit losses and premiums and claims liabilities. Other areas where management has made use of significant estimates and exercised judgment include assets held for sale, retirement benefit plans and financial instruments measured at fair value. Refer to page 138 of our 2020 Annual Report for details.

2. Loans and Allowance for Credit Losses

Loans Receivable

(in millions of Canadian dollars)	**Mar 2021**	Dec 2020
Gross loans receivable	**52,421**	54,772
Accrued interest and fees receivable	**217**	188
Deferred loan revenue and other	**(235)**	(238)
Total loans receivable	**$52,403**	$54,722

The following reflects the movement in gross loans receivable during the period:

(in millions of Canadian dollars)	**2021**	2020
Balance January 1	**54,772**	51,601
Principal repayments	**(5,366)**	(4,274)
Disbursements	**4,211**	8,289
Principal recoveries from loan asset sales	**(189)**	-
Loans written off	**(35)**	(4)
Capitalized interest	**14**	4
Foreign exchange translation	**(986)**	2,794
Balance March 31	**$52,421**	$58,410

Exposure and Allowance by Credit Grade

				Mar 2021		Dec 2020	
	Non-credit-impaired		**Credit-impaired**				
(in millions of Canadian dollars)	**Stage 1**	**Stage 2**	**Stage 3**	**$**	**% of total**	$	% of total
Gross loans receivable							
Investment grade*	**16,788**	**1,254**	**-**	**18,042**	**35%**	19,207	35%
Non-investment grade	**16,336**	**15,706**	**-**	**32,042**	**61%**	33,601	61%
Individually impaired	**-**	**-**	**2,337**	**2,337**	**4%**	1,964	4%
Gross loans receivable	**33,124**	**16,960**	**2,337**	**52,421**	**100%**	54,772	100%
Allowance for losses	**81**	**1,032**	**1,297**	**2,410**		2,630	
Net carrying value - loans receivable	**$33,043**	**$15,928**	**$1,040**	**$50,011**		$52,142	
Loan commitments							
Investment grade*	**4,893**	**410**	**-**	**5,303**	**37%**	5,600	36%
Non-investment grade	**5,048**	**3,952**	**-**	**9,000**	**63%**	10,045	64%
Individually impaired	**-**	**-**	**53**	**53**	**-**	61	-
Total loan commitments	**$9,941**	**$4,362**	**$53**	**$14,356**	**100%**	$15,706	100%
Allowance for losses	**2**	**21**	**17**	**40**		50	
Loan guarantees							
Investment grade*	**333**	**80**	**-**	**413**	**10%**	451	11%
Non-investment grade	**2,730**	**793**	**-**	**3,523**	**87%**	3,610	86%
Individually impaired	**-**	**-**	**96**	**96**	**3%**	112	3%
Total loan guarantees	**$3,063**	**$873**	**$96**	**$4,032**	**100%**	$4,173	100%
Allowance for losses	**36**	**47**	**67**	**150**		220	

**Investment grade exposure represents obligors with credit ratings of BBB- and above, as determined based on our internal credit risk rating methodology. Exposures are presented before the effects of any risk-mitigation strategies.*

Allowance for Losses

Changes to the allowance for losses on loans receivable, loan commitments and loan guarantees as at and for the three months ended March 31 were as follows:

(in millions of Canadian dollars)	**Stage 1**	**Stage 2**	**Stage 3**	**Mar 2021 Total**	Stage 1	Stage 2	Stage 3	Mar 2020 Total
Allowance for losses on loans receivable								
Balance beginning of period	**132**	**1,244**	**1,254**	**2,630**	156	294	480	930
Provision for (reversal of) credit losses								
Transfer to stage 1	**52**	**(52)**	**-**	**-**	2	(2)	-	-
Transfer to stage 2	**(22)**	**22**	**-**	**-**	(110)	110	-	-
Transfer to stage 3	**-**	**(20)**	**20**	**-**	-	-	-	-
Remeasurements	**(78)**	**(113)**	**70**	**(121)**	63	863	14	940
New originations	**7**	**52**	**18**	**77**	16	61	7	84
Net repayments and maturities	**(7)**	**(72)**	**(23)**	**(102)**	(3)	16	(9)	4
Total provision for (reversal of) credit losses	**(48)**	**(183)**	**85**	**(146)**	(32)	1,048	12	1,028
Write-offs	**-**	**-**	**(23)**	**(23)**	-	-	(3)	(3)
Foreign exchange translation	**(3)**	**(29)**	**(19)**	**(51)**	7	23	25	55
Balance end of period	**81**	**1,032**	**1,297**	**2,410**	131	1,365	514	2,010
Allowance for losses on loan commitments								
Balance beginning of period	**-**	**32**	**18**	**50**	9	-	1	10
Provision for (reversal of) credit losses								
Transfer to stage 1	**1**	**(1)**	**-**	**-**	-	-	-	-
Transfer to stage 2	**-**	**-**	**-**	**-**	(8)	8	-	-
Remeasurements	**(1)**	**(10)**	**(2)**	**(13)**	1	54	1	56
New originations	**2**	**-**	**-**	**2**	5	-	-	5
Net repayments and maturities	**-**	**-**	**1**	**1**	-	-	(2)	(2)
Total provision for (reversal of) credit losses	**2**	**(11)**	**(1)**	**(10)**	(2)	62	(1)	59
Foreign exchange translation	**-**	**-**	**-**	**-**	-	1	-	1
Balance end of period	**2**	**21**	**17**	**40**	7	63	-	70
Allowance for losses on loan guarantees								
Balance beginning of period	**59**	**82**	**79**	**220**	19	7	54	80
Provision for (reversal of) credit losses								
Transfer to stage 1	**40**	**(40)**	**-**	**-**	3	(3)	-	-
Transfer to stage 2	**(29)**	**29**	**-**	**-**	(15)	15	-	-
Remeasurements	**(63)**	**(22)**	**3**	**(82)**	1	66	10	77
New originations	**27**	**-**	**2**	**29**	9	4	-	13
Net repayments and maturities	**2**	**(1)**	**(17)**	**(16)**	3	(14)	(12)	(23)
Total provision for (reversal of) credit losses	**(23)**	**(34)**	**(12)**	**(69)**	1	68	(2)	67
Foreign exchange translation	**-**	**(1)**	**-**	**(1)**	-	1	2	3
Balance end of period	**36**	**47**	**67**	**150**	20	76	54	150
Total allowance for losses on loans receivable, loan commitments and loan guarantees	**$119**	**$1,100**	**$1,381**	**$2,600**	$158	$1,504	$568	$2,230

Financing Commitments

The following table shows our outstanding financing commitments by type:

(in millions of Canadian dollars)	**Mar 2021**	Dec 2020
Signed loan commitments	**14,356**	15,706
Letters of offer	**1,741**	1,811
Unallocated confirmed lines of credit	**126**	159
Total financing commitments	**$16,223**	$17,676

3. Premium and Claims Liabilities

The premium and claims liabilities for our credit insurance, financial institutions insurance, international trade guarantee and political risk insurance product groups were as follows:

(in millions of Canadian dollars)			**Mar 2021**			Dec 2020
	Insurance	**Reinsurance**	**Net liabilities**	Insurance	Reinsurance	Net liabilities
Credit insurance	**410**	**(30)**	**380**	420	(30)	390
Financial institutions insurance	**10**	**-**	**10**	10	-	10
International trade guarantee	**270**	**(20)**	**250**	180	(10)	170
Political risk insurance	**210**	**(100)**	**110**	210	(110)	100
Total	**$900**	**$(150)**	**$750**	$820	$(150)	$670

The premium and claims liabilities are comprised of the following components:

(in millions of Canadian dollars)	**Mar 2021**	Dec 2020
Deferred insurance premiums	**150**	160
Allowance for claims on insurance	**750**	660
Total premium and claims liabilities	**900**	820
Reinsurers’ share of allowance for claims on insurance	**(130)**	(120)
Prepaid reinsurance	**(20)**	(30)
Reinsurers’ share of premium and claims liabilities	**(150)**	(150)
Net premium and claims liabilities	**$750**	$670

4. Contingent Liabilities

As explained on page 162 of the 2020 Annual Report, we are subject to a limit imposed by the Export Development Act on our contingent liability arrangements. The limit is currently $90.0 billion and our position against this limit is $32.8 billion as at March 31, 2021 (December 2020 - $33.2 billion).

5. Share Capital

EDC's authorized share capital is $15.0 billion consisting of 150 million shares with a par value of $100 each. The number of shares issued and fully paid is 123.0 million (2020 – 13.3 million). In the first quarter of 2021, we declared a dividend of $580 million according to our current dividend policy as well as a special dividend of $6.7 billion based on the capital surplus position of the BCAP programs and a targeted Internal Capital Adequacy Assessment Process ratio, of which $3.0 billion has been paid to the Government of Canada. No dividend was paid in the prior year.

6. Fair Value of Financial Instruments

Fair value represents our estimation of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For a full description of our controls, policies and valuation techniques surrounding fair value of financial instruments refer to Note 21 on page 169 of the 2020 Annual Report.

As with any estimate, uncertainty is inherent due to the unpredictability of future events. In the case of estimating the fair value of our financial instruments, this uncertainty is magnified due to the large number of assumptions used and the wide range of acceptable valuation techniques. Estimates of fair values are based on market conditions at a certain point in time, and may not be reflective of future market conditions. Therefore, the estimates of the fair value of financial instruments outlined as follows do not necessarily reflect the actual values that may occur should the instruments be exchanged in the market.

In the process of assessing the fair value for certain investment instruments, estimates determined in a manner consistent with industry practice are employed in the models which cannot be directly observed in the market. The methodologies and values derived from these models were relatively unchanged at the end of the first quarter of 2021 from what was disclosed in the 2020 Annual Report.

Fair Value Hierarchy

The following table presents the fair value hierarchy of our financial instruments based on whether the inputs to those techniques are observable or unobservable.

- *Level 1* - fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- *Level 2* - fair values are determined using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- *Level 3* - fair values are determined using inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

(in millions of Canadian dollars)					**Mar 2021**					Dec 2020
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**	**Carrying Value**	Level 1	Level 2	Level 3	Total Fair Value	Carrying Value
Assets										
Performing fixed rate loans	**-**	**10,700**	**2,280**	**12,980**	**12,289**	-	12,529	2,188	14,717	13,636
Performing floating rate loans	**-**	**35,931**	**1,302**	**37,233**	**36,670**	-	36,768	1,359	38,127	37,746
Total performing loans receivable	**-**	**46,631**	**3,582**	**50,213**	**48,959**	-	49,297	3,547	52,844	51,382
Impaired loans	**-**	**1,034**	**-**	**1,034**	**1,034**	-	710	-	710	710
Loans receivable and accrued interest and fees	**-**	**47,665**	**3,582**	**51,247**	**49,993**	-	50,007	3,547	53,554	52,092
Marketable securities	**4,809**	**6,191**	**-**	**11,000**	**11,000**	4,922	5,641	-	10,563	10,563
Derivative instruments	**-**	**1,928**	**-**	**1,928**	**1,928**	-	2,126	-	2,126	2,126
Investments	**113**	**-**	**1,963**	**2,076**	**2,076**	129	-	1,904	2,033	2,032
Other assets	**1,317**	**14**	**29**	**1,360**	**1,359**	219	15	28	262	260
Liabilities										
Accounts payable and other credits	**196**	**12**	**-**	**208**	**208**	165	14	-	179	179
Dividend payable	**4,280**	**-**	**-**	**4,280**	**4,280**	-	-	-	-	-
Loans payable	**-**	**47,610**	**-**	**47,610**	**47,532**	-	45,118	-	45,118	45,020
Derivative instruments	**-**	**861**	**-**	**861**	**861**	-	1,623	-	1,623	1,623
Loan guarantees	**-**	**172**	**-**	**172**	**210**	-	264	-	264	300

Changes in valuation methods may result in transfers into or out of Levels 1, 2 and 3. In the first three months of 2021, there were no transfers between levels.

The following table summarizes the reconciliation of Level 3 fair values between the beginning of the year and the end of the first quarter of 2021 for the financial instruments carried at fair value:

(in millions of Canadian dollars)			**Mar 2021**
	Other Assets	**Investments**	**Total**
Balance beginning of year	**28**	**1,904**	**1,932**
Unrealized gains (losses) included in other (income) expenses	**-**	**12**	**12**
Purchases of assets/issuances of liabilities	**-**	**95**	**95**
Return of capital	**-**	**(35)**	**(35)**
Foreign exchange translation	**1**	**(13)**	**(12)**
Balance end of period	**$29**	**$1,963**	**$1,992**
Total gains (losses) for the first three months of 2021 included in comprehensive income for instruments held at the end of the quarter	**$-**	**$123**	**$123**

7. Financial Instrument Risks

The principal risks that we are exposed to as a result of holding financial instruments are credit, market and liquidity risk. For a full description of our objectives, policies and processes for managing financial instrument risk refer to management's discussion and analysis on pages 112 to 116 and notes related to our derivative instruments and debt instruments on pages 158 to 159 of the 2020 Annual Report.

Credit Risk

Credit risk is the risk of loss incurred if a counterparty fails to meet its financial commitments. We are exposed to credit risk on financial instruments under both our loans program and our treasury activities.

Concentration of Credit Risk

The following table provides a breakdown, by the country in which the risk resides, of the maximum exposure to credit risk of financial instruments. The exposure includes gross loans receivable, loan guarantees, investments, marketable securities, derivative assets and cash. The concentration of credit risk exposure provided below also includes the impact of unfunded loan participations and loan default insurance, which we use to mitigate credit risk within the loan portfolio.

(in millions of Canadian dollars)	**Mar 2021 Exposure**		Dec 2020 Exposure	
Country	$	%	$	%
United States	**16,021**	**22**	17,143	23
Canada	**13,813**	**19**	14,378	19
United Kingdom	**5,720**	**8**	6,498	9
Chile	**3,999**	**6**	3,834	5
Australia	**3,482**	**5**	3,821	5
Other	**28,677**	**40**	28,174	39
Total	**$71,712**	**100**	$73,848	100

The concentration of credit risk by industry for our financial instruments is as follows:

(in millions of Canadian dollars)	**Mar 2021 Exposure**		Dec 2020 Exposure	
Industry	$	%	$	%
Commercial:				
Aerospace	**11,002**	**15**	11,188	15
Infrastructure and environment	**9,959**	**14**	9,498	13
Financial institutions	**8,297**	**12**	9,083	12
Surface transportation	**7,942**	**11**	8,491	11
Mining	**6,173**	**9**	6,247	8
Oil and gas	**6,108**	**9**	6,389	9
Information and communication technologies	**5,431**	**7**	5,939	8
Other	**6,791**	**9**	7,402	11
Total commercial	**61,703**	**86**	64,237	87
Sovereign	**10,009**	**14**	9,611	13
Total	**$71,712**	**100**	$73,848	100

8. Net Insurance Premiums and Guarantee Fees

	Three months ended					
(in millions of Canadian dollars)			**Mar 2021**			Mar 2020
	Gross premiums	**Reinsurance**	**Net premiums**	Gross premiums	Reinsurance	Net premiums
Credit insurance	**32**	**(4)**	**28**	29	(3)	26
Financial institutions insurance	**2**	**-**	**2**	2	-	2
International trade guarantee	**32**	**(3)**	**29**	25	(3)	22
Political risk insurance	**4**	**(2)**	**2**	5	(3)	2
Total	**$70**	**$(9)**	**$61**	$61	$(9)	$52

9. Claims-Related Expenses

(in millions of Canadian dollars)	Three months ended **Mar 2021**	Mar 2020
Claims paid	**15**	20
Claims recovered	**(7)**	(2)
Actuarial increase/(decrease) in the allowance for claims on insurance	**134**	**(17)**
Actuarial increase/(decrease) in the reinsurers' share in the allowance for claims	**(35)**	**16**
Decrease in recoverable insurance claims	**-**	2
Claims handling expenses	**-**	1
Total claims-related expenses	**$107**	$20

10. Other (Income) Expenses

(in millions of Canadian dollars)	Three months ended **Mar 2021**	Mar 2020
Net unrealized (gain) loss on loans payable	**(161)**	454
Net unrealized (gain) loss on derivatives	**(118)**	(213)
Net realized and unrealized (gain) loss on marketable securities	**91**	(274)
Net realized and unrealized (gain) loss on investments	**(40)**	16
Loss on sale of loan assets	**12**	-
Foreign exchange translation (gain) loss	**4**	8
Fair value adjustments on loan disbursements	**-**	(10)
Total other (income) expenses	**$(212)**	$(19)

11. Administrative Expenses

	Three months ended	
	Mar	Mar
(in millions of Canadian dollars)	**2021**	2020
Salaries and benefits	**77**	68
Pension benefit expense	**11**	11
Other post-employment benefit and severance expense	**4**	4
Systems costs	**13**	10
Professional services	**11**	6
Occupancy	**7**	6
Amortization and depreciation	**7**	9
Marketing and communications	**4**	5
Travel, hospitality and conferences	**-**	2
Other	**8**	5
Total administrative expenses	**$142**	$126

12. Related Party Transactions

The Government of Canada is the sole shareholder of Export Development Canada. We enter into transactions with other government departments, agencies and Crown corporations and our Pension Plan in the normal course of business, under terms and conditions similar to those that apply to unrelated parties.

EDC'S MANDATE

Support and develop, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trade, as well as respond to international business opportunities.

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